

Message Text

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ACTION ARA-14

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FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC PRIORITY 1461

C O N F I D E N T I A L SANTO DOMINGO 4748

E.O. 11652: GDS

TAGS: EINV, DR

SUBJECT: DOMINICAN REACTION TO NEW YORK TIMES SERIES ON GULF &
WESTERN

1. THE THREE NEW YORK TIMES ARTICLES OF JULY 24, 25 AND 26, ON
U.S.-OWNED GULF & WESTERN (G&W) HAVE RECEIVED HEAVY PLAY LOCALLY.
MOST ATTENTION WAS FOCUSED ON THE ALLEGED CONNECTION REPORTED IN
THE THIRD ARTICLE BETWEEN G&W'S PRE-PAYMENTS OF \$40 MILLION IN
SUGAR EXPORT TAXES AT THE END OF 1974, IN ORDER TO HELP "DRESS
UP" DOMINICAN YEAR-END BALANCE-OF-PAYMENTS FIGURES, AND THE
GRANTING TO G&W, IN EXCHANGE FOR THIS TIMELY ASSISTANCE, OF A
REVISION IN ITS ORIGINAL INVESTMENT FIGURES IN ORDER TO ALLOW IT TO
REMIT MORE PROFITS ABROAD.

2. PRESIDENT BALAGUER DENIED ANY KNOWLEDGE OF G&W'S BALANCE-OF-
PAYMENTS ASSISTANCE, CITING THE CENTRAL BANK'S AUTONOMY IN
MONETARY AFFAIRS. THE CURRENT GOVERNOR OF THE CENTRAL BANK AND
THE HEAD OF THE LOCAL G&W SUBSIDIARY ALSO ISSUED WHAT APPEARED TO
BE DENIALS. WHO WAS MANAGING THE BALANCE-OF-PAYMENTS AT THE TIME
IN QUESTION, STATED THAT, AFTER EXTENSIVE STUDY, THE MONETARY
BOARD DID REVISE UPWARD G&W'S INVESTMENT FIGURES BECAUSE IT HAD
USED LARGE AMOUNTS OF BLOCKED CURRENCIES TO RE-INVEST IN TOURISM
AND AGRICULTURE DIVERSIFICATION. FERNANDEZ CLAIMS THIS WAS ALSO
DONE FOR OTHER FOREIGN COMPANIES, USING THE SAME MONETARY
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PROCEDURES, AND THAT THERE WAS NO CONNECTION BETWEEN THIS AND G&W'S
BRINGING IN FOREIGN EXCHANGE AT THE END OF THE YEAR.

4. COMMENT: G&W BRINGS IN WORKING CAPITAL FOR THE BEGINNING OF THE
SUGAR HARVEST ABOUT DECEMBER 1, AND PERHAPS MAKES ADVANCE PAYMENTS
ON TAXES IN AMOUNTS OF ABOUT \$25 MILLION. THIS GOES ON EVERY YEAR,
WITH 1974, THE YEAR CITED IN THE NEW YORK TIMES STORY, BEING NO

EXCEPTION. ALTHOUGH THE POLITICAL OPPOSITION AND THE TABLOIDS ARE
HAVING A FIELD DAY, THE BROUHAHA, JUDGING FROM PAST PATTERNS,
WILL PROBABLY BLOW OVER QUICKLY. THE STORY, HOWEVER, GIVES THE
OPPOSITION MORE AMMUNITION TO USE IN THE ELECTORAL CAMPAIGN IN
CRITICIZING G&W INFLUENCE ON THE BALAGUER GOVERNMENT.

5. AIRGRAM FOLLOWS.
HURWITCH

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Message Attributes

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Channel Indicators: n/a
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Copy: SINGLE
Sent Date: 29-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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